

**MEETING OF THE
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
Wednesday, April 23, 2014 - 5:15 p.m.
COUNCIL CHAMBERS, THIRD FLOOR CITY HALL**

MINUTES

CALL TO ORDER: The April 23, 2014, meeting of DEDA was called to order by President Norr at 5:17 p.m.

Present: Nancy Aronson Norr, Jay Fosle, John Heino, Linda Krug, Emily Larson, Tim McShane, Don Monaco

Others Present: Bob Asleson, Ron Brochu, Joan Christensen, Debbie DeGrio, Christopher Eng, Steve Fenlin, Alex Giuliani, Bill Hanson, Howie Hanson, Sandy Hoff, Dave Holappa, Kerry Leider, Bronwyn Lipinski, Ross Lovely, Bill Mague, Mark Ruff, Kevin Scharnberg, Aaron Schweiger, Mary Frances Skala, Heidi Timm-Bijold

President Norr noted that Resolution 14D-16 has been pulled from the agenda.

PUBLIC HEARINGS

1. **RESOLUTION 14D-14: RESOLUTION APPROVING A PROJECT BY ST. FRANCIS HEALTH SERVICES OF MORRIS, INC. AND CONSENTING TO THE ISSUANCE OF OBLIGATIONS BY THE CITIES OF BROWNS VALLEY AND BROWERVILLE, MINNESOTA**

No public comment.

2. **RESOLUTION 14D-15: RESOLUTION AUTHORIZING A LAND SALE AGREEMENT WITH IMPERIAL DEVELOPMENT COMPANY, LLC IN THE AMOUNT OF \$50,000**

No public comment.

APPROVAL OF MINUTES: March 26, 2014 Accept as written. Vote: Unanimous Heino/Krug (7-0)

RESOLUTIONS FOR APPROVAL

NEW BUSINESS

1. **RESOLUTION 14D-14: RESOLUTION APPROVING A PROJECT BY ST. FRANCIS HEALTH SERVICES OF MORRIS, INC. AND CONSENTING TO THE ISSUANCE OF OBLIGATIONS BY THE CITIES OF BROWNS VALLEY AND BROWERVILLE, MINNESOTA**

Discussion: Skala explained that they are using bonds through the cities of Browerville and Browns Valley, but need DEDA consent to proceed.

Vote to Approve Resolution 14D-14: Passed Unanimously Krug/McShane (7-0)

2. **RESOLUTION 14D-15: RESOLUTION AUTHORIZING A LAND SALE AGREEMENT WITH IMPERIAL DEVELOPMENT COMPANY, LLC IN THE AMOUNT OF \$50,000**

Staff: Eng explained that a year ago the City gave DEDA the okay to purchase this property in Gary New-Duluth for \$50,000. DEDA will then convey it to the developer.

Vote to Approve Resolution 14D-15: Passed Unanimously McShane/Krug (7-0)

3. **RESOLUTION 14D-17: RESOLUTION AUTHORIZING A SECOND AMENDMENT TO LAND SALE AGREEMENT WITH HAINES PROPERTIES, LLP**

Staff: Eng reported that the original agreement did not include market rate housing, and this amendment also takes out some items that no longer apply under the current UDC.

Discussion: Schweiger described a project that will use 64 acres of property near the airport. It will include 400 new units of market rate housing and a development similar to Bluestone that includes retail and commercial. Schweiger said the project will start in early fall and should be finished next fall. Norr asked about public financial assistance; Schweiger said they will explore this in the future.

Vote to Approve Resolution 14D-17: Passed Unanimously Heino/Krug (7-0)

4. **RESOLUTION 14D-18: RESOLUTION AUTHORIZING AN AMENDMENT TO THE BRIDGE LOAN PROMISSORY NOTE, C.I.F. BRIDGE LOAN AGREEMENT, AND MORTGAGE LOAN RIDER EXTENDING THE MATURITY DATE OF THE LOAN RELATED TO THE ARTSPACE PROJECT**

Staff: Eng explained that this amendment is to extend the bridge loan to Artspace studios until permanent financing in place; they will then take DEDA out in 2019, so the terms of all involved loans end on same date.

Discussion: Mague gave brief update of the project.

Vote to Approve Resolution 14D-18: Passed Unanimously Larson/Monaco (7-0)

5. **RESOLUTION 14D-19: RESOLUTION AUTHORIZING A PROJECT AGREEMENT WITH INDEPENDENT SCHOOL DISTRICT 709 FOR A SMALL**

AREA PLAN FOR THE CENTRAL HIGH SCHOOL REDEVELOPMENT PROJECT

Norr asked if Commissioner Fosle will abstain from voting on this resolution. Fosle said he will not because there is no conflict of interest and no financial benefit to him.

Staff: Eng explained that this agreement with ISD 709 is to split 50/50 costs of preliminary work necessary in order to be able to sell this property. The school district has entered into an agreement with Cunningham Group and with LHB.

Discussion: Larson asked about the next steps because she is willing to learn more about this project. Eng added that Commissioner Monaco was involved in preliminary discussions for this project, and Eng would like to involve all Commissioners in this process. The intent is to move quickly to be ready for the July Planning Commission meeting. Krug asked if any testing been done on the property. Hanson responded that nothing significant has been done on site.

Vote to Approve Resolution 14D-19: Passed Unanimously Heino/Fosle (7-0)

6. RESOLUTION 14D-20: RESOLUTION APPROVING SECOND AMENDMENT TO MEMORANDUM OF UNDERSTANDING WITH SHERMAN ASSOCIATES, INC FOR REDEVELOPMENT OF THE NORSHOR THEATRE EXTENDING THE TIME FOR PERFORMANCE THEREUNDER

Staff: Eng recommends DEDA extend this non-binding agreement; the amendment is for timing only. The sale of the property is scheduled for September with construction beginning in October. The state bond funds are the last piece of financing.

Discussion: Monaco asked when the next 90 day update will be given to the DEDA board. Eng said there have been no updates due to no recent activity while waiting for funding, and will ask Sherman to give update after funding is in place in May or June.

Vote to Approve Resolution 14D-20: Passed Unanimously Krug/Monaco (7-0)

7. RESOLUTION 14D-21: RESOLUTION APPROVING AN AMENDMENT TO THE DEVELOPMENT PROGRAM FOR DEVELOPMENT DISTRICT NO. 17, ESTABLISHING TAX INCREMENT FINANCING DISTRICT NO. 26 (PIER B DEVELOPMENT) AND APPROVING THE TAX INCREMENT FINANCING PLAN FOR TAX INCREMENT FINANCING DISTRICT NO. 26

Staff: Timm-Bijold explained that this resolution is to approve the TIF plan which will then allow the review and approval from the County Board, the School Board and the City Council.

Discussion: Ruff explained that this is a redevelopment tax increment district created to alleviate blighted properties and level the playing field with Greenfield sites to

encourage development. The district has a 26 year maximum life, and DEDA's role is as an administrative authority, with City Council approval. Total project cost is estimated at a little over \$29 million, and the assessor's tax value estimate is \$10.5 million with 2% inflation; this will create \$8 million in tax increment. There will be no City general obligation bonds so the developer will be responsible for financing the cost with reimbursement from the TIF funds. Timm-Bijold mentioned that DEDA will keep a 10% administrative fee of all TIF money generated over the 25 year period. Heino asked about any other projects in the Canal Park area that have asked for TIF funds. Asleson said that two newer lakeside Canal Park hotels received TIF funds as well as the Sheraton. The "But For" test determines what projects qualify for TIF assistance – but for the assistance, the development would not happen. Any developer that meets the "But For" test is eligible to request TIF assistance and will receive it if it is a financially viable project and important to the City of Duluth. The market dictates the formula for equity within the "But For" equation, including private investors and banks, and the tax increment law dictates the TIF boundaries, which can only include the property you plan to improve. If more property is added, you can amend the TIF district or create a new TIF district to receive maximum benefits.

Vote to Approve Resolution 14D-21: Passed Unanimously Fosle/Heino (7-0)

Fosle leaves at 6:10 PM.

DISCUSSION

1. **DELTA SKY MAGAZINE** – Eng shared the half page marketing ad that will be published in the June issue of Delta Sky Magazine, which has 5.2 million readers. The cost is \$10,000, and it will accompany a 17 page article about Duluth.
2. **MINNESOTA REAL ESTATE JOURNAL** – Staff and partners will take part in a conference on July 11th in Golden Valley, Minnesota to sit on a panel to talk about what is happening in Duluth to twin cities developers and site selectors. DEDA will also have a half page ad in every Minnesota Real Estate journal for the next six months.
3. **WORKFORCE HOUSING MARKET STUDY** – Eng reported that Maxfield Research is close to finishing this study, and has identified the need for over 4,000 additional housing units by 2020. Staff is working with Ehlers and Associates to prepare a housing plan by the end of May.
4. **DIRECTOR'S REPORT**
 - A) The West Duluth Storefront Loan program improvements have generated two applications.
 - B) The MRO has some necessary equipment that needs to be replaced. The cost of the equipment is \$83,000, and it will cost \$25,000 to install.

- C) AAR is holding an event on April 29th to celebrate their 100th plane.
- D) DEDA will be acting as an intermediary for CN's dual track project in Gary New-Duluth to accept land from the county and convey to CN.

ADJOURNMENT: President Norr adjourned the April 23, 2014 meeting of the DEDA at 6:21 p.m.

Respectfully submitted,



Christopher T. Eng
Executive Director

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